

Forces Reshaping Work and Workforces

We Do Not Have to Sit Together to Work Together

During spring 2020, millions of employees shifted from working in offices to working remotely from home to protect people during the COVID-19 pandemic. Company leaders soon learned, often to their surprise, that the shift to remote work frequently increased employee engagement, productivity, and sense of belonging.¹ These benefits happened even though the move to remote work was done to protect health, not to improve employee experience. Employees missed in-person interactions and access to workspaces outside of their homes but welcomed greater control over their time and not having to commute to work every day. As one customer I work with shared after adopting remote work, “we don’t want to go back to normal. We want to go forward to better.” And better meant permanently embracing some hybrid mixture of remote and on-site work.

The fact companies shifted to remote work in a matter of weeks means the technology to support remote work was widely available before the pandemic. In fact, many people had been working remotely for decades. However few companies embraced the concept of remote work prior to the pandemic. The positive reaction of employees showed that had remote work been supported before the pandemic, many people would have embraced it much earlier. People disliked commuting to work every day. But prior to the pandemic they were not given an alternative, even though it was technologically possible to work remotely. The pandemic forced companies to rethink long-standing assumptions about work, especially the belief

that employees need to be in an office to do a good job. It forced company leaders to accept that in a digitalized world we do not have to sit together to work together.

The phrase *talent tectonics* describes underlying shifts reshaping work and organizations much like underlying geographic tectonic plates reshape the surface of the earth. Using this analogy of talent tectonics, the shift to remote work in 2020 can be likened to an earthquake. It was a sudden change in the visible nature of work that was made possible because of underlying advancements in technology that had been happening over decades. People in the 20th century did not want to commute to work every day, but they had no choice given existing technology. With the advent of the internet in the 1990s, the concept of remote work became more viable. For 30+ years, remote work technology steadily improved, but few companies took advantage of it. In 2019, less than 5% of work was done remotely. This shot up to over 60% in 2020 and then dropped back to about 30% in 2021.² Remote work was a possibility before 2020, but what was needed was some triggering event to change people's attitudes. Sadly, it took a pandemic to get companies to rethink assumptions about the importance of having employees commute to office buildings every day. Once this triggering event occurred, the change happened extremely quickly and forever altered the landscape of work.

The biggest talent tectonic forces currently affecting work are digitalization and demographics. Figure 1.1 summarizes how these tectonic forces are changing work using the concept of "fault lines." In geology, fault lines are where we visibly see or experience forces caused by the movement of tectonic plates through mountain ranges, coast lines, volcanoes, and earthquakes. Fault lines in talent tectonics are visible changes to the nature of work and organizations.

The most visible impact of digitalization on companies is an accelerating rate of change. Business markets, customer preferences, supply chain operations, and every other aspect of business is being transformed by technology. Digitalization is also changing the nature of jobs and work. Automation is eliminating some jobs and simultaneously creating new kinds of work. The work people are being asked to do is different from what people did in the past. This is increasing demand for employees who possess or can quickly learn new skills. In many cases, this means specialized technical skills or exceptional service or creative skills. But it can also increase the importance of relatively common skills. For example, people with good typing skills have an advantage when working in virtual teams presumably because it involves greater use of electronic communications technology such as chat and e-mail.³

The most visible impacts of demographics on companies are changes in the labor market. The median age of the workforce has been rising for

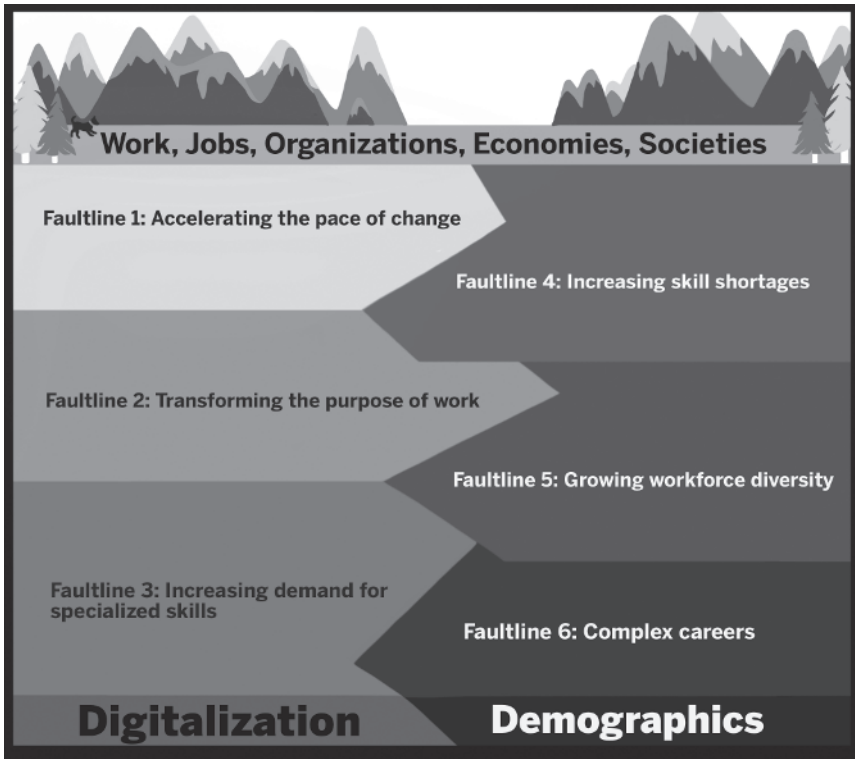


FIGURE 1.1 Talent tectonic forces and fault lines.

decades. Many countries have reached a point where, for the first time in history, more workers are aging out of the labor market than entering it. Figure 1.2 shows the projected 2025 age pyramids for the world’s 10 largest economies.⁴ Each image shows the percentage of men and women in the country at different ages. Of these countries, India is the only one that is not seeing the size of its working age population shrink, or at least not as severely. Companies in these countries must adapt to a new reality in which fewer young people are entering the labor market relative to the number of older people leaving it. A direct impact of declining birth rates is increased shortages of people willing to do the work companies want at the wages companies want to pay. Workforce shortages also enable employees to have more influence over the work they do. When there are more job openings than qualified candidates to fill them, candidates are able to demand jobs tailored to their unique interests.

The workforce is also becoming more diverse due to variations in birth rates across demographic groups coupled with the growing role of immigrant labor.⁵ Many less economically developed countries in Africa

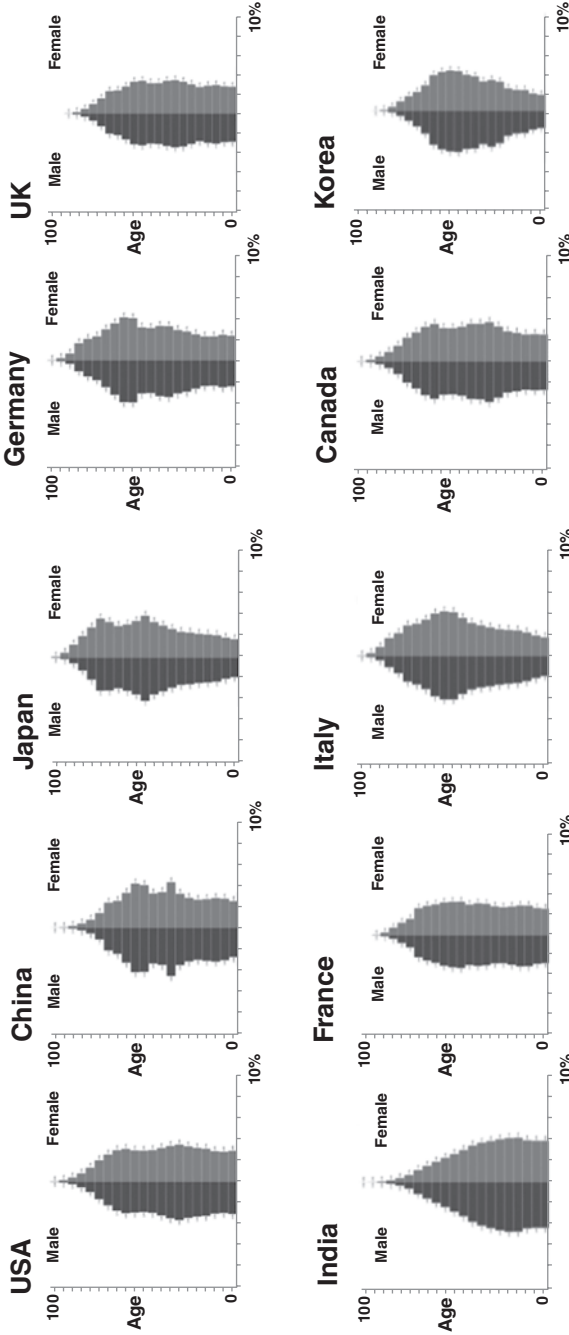


FIGURE 1.2 Age pyramids of the 10 largest economies in 2025.

and elsewhere have far higher birth rates compared to the countries in Figure 1.2. These countries have smaller job markets and higher unemployment, and immigration from these countries is often used to address the aging of the workforce in other countries. Companies will increasingly have to recruit talent from much more diverse domestic and international labor markets than those used in the past.

The talent tectonic forces of digitalization and demographics have been slowly changing the nature of economies and societies for decades. What is new are the increasingly visible impacts they are having on the nature of work. Digitalization is changing what companies need people to do and demographics are changing the characteristics of the people available to do it. These changes require companies to rethink how employees are managed and how jobs and organizations are designed. Companies must put what employees want on equal footing with what companies need. And societies must challenge long-standing assumptions about the nature of education, work, unemployment, and retirement if they want a population capable of competing in the 21st century global labor market. We cannot know exactly how these talent tectonic forces will change work, but we can make an educated guess by taking a deeper look at the major impacts of digitalization and demographics.

The Impacts of Digitalization

Thousands of statistics illustrate how rapidly technology is expanding into every aspect of work and life. Here are just a few:⁶

- There are about 1.35 million tech startups around the world.
- We generate 2.5 quintillion bytes of data daily.
- People check their mobile phones about 150 times daily.
- Every second, 127 new devices are connected to the internet.
- 3.9 billion people were active in social media platforms in 2021.
- There were 81,000 searches on Google every second in 2020.

These statistics are based on a web search done on November 1, 2021. By the time you read this, most of them will be considerably larger.

Technology has become so prevalent in our lives that it is creating new medical and psychological syndromes (e.g., smartphone pinky, compulsive phone checking).⁷ There is a \$40 billion+ category of technology solutions to manage stresses caused largely by use of technology!⁸ If there was a sign indicating how digital technology had taken over our lives, it is when smartphone manufacturers added applications that encouraged users to switch off their smartphones. Twenty years ago, who would have predicted technology companies would build features designed to decrease the use of their products?

The growth of digitalization is affecting every aspect of our lives from how we meet our partners, buy our homes, and raise our children to how we decide where to go for dinner and what movies to watch. It is fundamentally changing how companies design, market, sell, manufacture, and distribute products and services. It is altering the geopolitical landscape, how governments are elected, how wars are fought, and the actions we take to protect the planet we live on. Digitalization is also affecting the nature of work and organizations in three profound ways: accelerating the pace of change, transforming the purpose of work, and increasing the demand for specialized skills.

Talent Tectonic Faultline 1: Accelerating the Pace of Change

In 1963 a business professor observed that when it comes to companies “it is not the strongest that survives; but the one that is able best to adapt and adjust to the changing environment.”⁹ This observation is even truer now. A recent study of top-performing businesses found most share a common characteristic, but it is not size or depth of resources. It is the ability to alter their strategy and quickly adapt to a changing business market.¹⁰ Digitalization has weakened the connection between company size and company success. In the past, companies that had large market shares and material resources could use these to overcome challenges. Strength of size enabled them to weather changes better than smaller competitors. Size still provides strengths, but it is not as valuable as it once was. In a digital world, the success of companies is more about an organization’s adaptability than its existing assets. This is great news for smaller companies seeking to grow into big ones, but it is a threat for established companies where size and entrenched habits create inertia and bureaucracy that hinders change. The life span of organizations is shrinking as companies that once dominated their industries lose market share, get acquired, or go under entirely. The median age of the top S&P 500 companies decreased by 61% between 2000 and 2017. The median age across all S&P 500 companies in 2027 is predicted to be a mere 12 years.¹¹ This means about 50% of the 500 largest companies in the US will be younger than many children in primary school.

This pace of change does not just affect companies. It also affects people working in them. The stress of constant change is reflected in increasing mental health, burnout, and well-being issues.¹² A growing source of anxiety among employees is fear of losing their job due to changes in the economy or nature of work. People are as concerned about losing their job to another person due to outsourcing as they are to losing it due to automation.¹³ Somewhat counterintuitively, the labor market disruption caused by digitalization has not yet changed the frequency with which people change jobs. Despite a common belief that “kids these days quit jobs more,”

in many countries the employees born in the 1980s and 1990s are on track to have roughly the same number of job transitions as employees born in the 1950s and 1960s.¹⁴ What is different is the nature of these job changes. In the past, after a certain age people tended to keep working in the same industry. That will not be the case in a world where industries are being radically transformed by technology. Many employees know that whatever they are doing now they probably won't be doing the same thing five years from now. That things will change is certain. What is not certain is whether these changes will make their lives better.

Talent Tectonic Faultline 2: Transforming the Purpose of Work

The last major transformation in work caused by technology occurred in the 18th and 19th centuries during the industrial age. Technological innovation, fueled by the development of steam and electrical power, changed the focus of work from farming to manufacturing. These new technologies drastically reduced the time and labor needed to produce food and materials. The use of technology in the industrial age changed how organizations, cities, and entire societies operated. For example, at the start of the 19th century about 70% of US workers lived on farms. By the start of the 20th century fewer than 5% did.¹⁵

Figure 1.3 shows how the nature of work in the United States changed during and after the industrial revolution from agricultural and manufacturing work toward service work.¹⁶ The same general shift shown in this figure is happening around the world, although the timing varies across countries. For the past 50+ years we have been moving from a somewhat manufacturing-oriented economy to one where the majority of workers

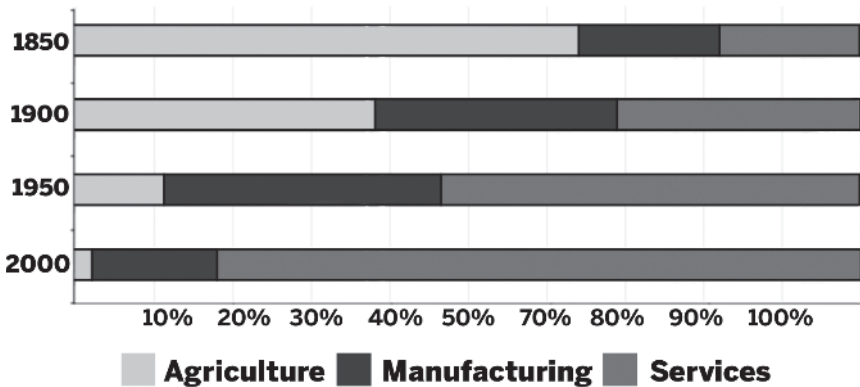


FIGURE 1.3 Shifts in the nature of work since 1850.

perform knowledge- and service-oriented jobs.¹⁷ The kinds of service jobs have also changed. Up through the mid-20th century most service work involved relatively low-paying jobs such as housekeepers or clerks. Now, many service jobs are specialized, high-paying professions such as health care providers or business consultants. In 1949 the most common service jobs in the US were food service and restaurant worker, followed by janitor, servant, cook, and security guard.¹⁸ The most common service jobs in 2021 still includes food service workers but it also includes registered nurses.¹⁹ This shift to more knowledge-oriented service jobs is a result of technology changing the nature of work but in much different ways than that of the industrial age.

Economists refer to the transitions in Figure 1.3 as shifting between agricultural and manufacturing to service economies. In each transition the focus of work changed toward producing different types of goods and services. A psychologist's view is slightly different. Instead of viewing each era in terms of things workers are producing for society, one can view them in terms of the societal needs that workers are addressing. Up until the 18th century, the main purpose of work was to fulfill lower-order survival needs. People worked so societies had food to live. During the industrial age, the purpose of work shifted from the need to stay alive to the desire to live comfortably. Technology enabled more people to shift from spending time providing food to creating things that make living easier and more comfortable. Technology is now making it possible to shift work toward an even higher order need: creating experiences and relationships to make life happy and fulfilling. We are still a long way from ensuring all people have the basic needs of food and shelter, but we are far closer to it than we were 100 years ago.²⁰ Consequently, societies are starting to devote more of work toward a new purpose: providing things that do not just keep people alive and comfortable but that make them feel enriched and fulfilled.¹

Adequate food and comfortable living conditions are necessary for a happy and fulfilling life, but they do not make life happy and fulfilling. It is psychologically unhealthy to seek happiness solely through consuming food and acquiring material possessions. What makes us truly happy are the experiences we have in life and the people we experience them with.²¹ Technology is enabling us to focus more work resources on providing people with meaningful and happy lives. This does not mean work focused

¹Tragically, vast numbers of people die each year due to starvation and poor living conditions despite humanity having adequate material resources to feed and house everyone on the planet. It is possible that we may already have the technological capability to give everyone the opportunity to live a fulfilling life, but it is a major challenge to actually do it.

on creating food and making things that provide shelter and comfort is disappearing. We need farmers and manufacturers, but fewer people are needed to do work related to farming and manufacturing due to technology. Consequently, an increasing percentage of work is shifting to creating experiences that make people feel good. This includes activities such as interacting with friends and family, improving our mental and physical health and well-being, going on trips, watching entertainment events, playing games, and others that provide positive experiences and foster healthy relationships.

Technology is not eliminating work. It is altering the purpose of work from “growing food and making things” to “providing services and experiences.” This shift in the purpose of work is also changing the capabilities and conditions employees need to effectively perform their jobs. The industrial era of the 20th century characterized work as a transactional contract between employees and companies that emphasized paying employees based on time spent at work or production of tangible things. Cynically, employees were expected to “show up, shut up, and make stuff.” Anyone who thinks the world of work is becoming worse because of technology does not know much about what work was like 100 years ago. A lot of jobs in the industrial era were miserable. They involved repetitive, physically exhausting work in unpleasant, dangerous environments. Employees were expected to follow specific rules and were discouraged from being creative.²² The stressful “command and control” style of management common in the industrial age literally shortened people’s life span.²³ How employees felt didn’t matter as long as they created what they were paid to make. Employees did this work only because they had to. Happily, technology has made it possible to automate most of this work, so now no one has to do it.

In the 21st century, employees are increasingly employed to generate ideas, build relationships, solve problems, and deliver services to others. It is hard to be creative, caring, or collaborative if you feel stressed, exhausted, or mistreated.²⁴ There is a big difference between telling employees to “rivet iron plates for eight hours” or “load 16 tons of coal” compared to asking them to “show these customers we care about them” or “find ways to build our market share.” How employees feel internally matters more now because the purpose of work has changed. Work is becoming physically easier but mentally more difficult. There is a concept in psychology called *emotional labor* that defines the experience of acting differently from how we feel internally.²⁵ Acting happy when we feel sad is not just difficult. It is stressful and often unhealthy. Companies cannot be successful in the future if they try to coerce employees to do work purely through tying tasks to external rewards such as compensation. Employees have to sincerely enjoy their work to be good at it. To be successful in this new era, work should not be thought of as a transactional contract built on requirements.

It should be viewed as a supportive partnership based on shared trust and mutual goals.²⁶ To do this companies must demonstrate they are trustworthy and show they care about creating positive work experiences for employees. This does not mean work should be easy or stress-free. To the contrary, we enjoy our work the most when it challenges us to fully apply and develop our capabilities.²⁷ But work should not feel like a prison of measured time. Work should be something that people find meaningful and fulfilling.

Talent Tectonic Faultline 3: Increasing Demand for Specialized Skills

Digitalization changes jobs by automating repetitive tasks and augmenting human activities. An example of automation is using robots to move packages in a warehouse, so a person does not have to do it. An example of augmentation is using artificial intelligence to scan X-ray images to help radiologists more quickly find and diagnose tumors. Technology supports people by performing tasks that people did in the past or by enabling things that people want to do in the future.ⁱⁱ As technology applications become more powerful, they enable automating and augmenting increasingly complex activities to the point that they often seem “intelligent.” But they are not actually intelligent in the human sense.ⁱⁱⁱ Technology as complex as self-driving cars is amazingly impressive, but at its core it is still automating and augmenting tasks that were either previously performed by humans or envisioned by humans as being something worth doing.

ⁱⁱTechnology can also have unintended consequences creating things that we did not want from messing up our sleep through blue light to potentially exterminating our species through pollution.

ⁱⁱⁱThe term artificial intelligence (AI) gained widespread use in the 1960s to describe mathematical algorithms and computer programming techniques designed to model psychological theories of human learning and decision-making. My father Earl Hunt did early work in AI and explained that “we discovered that computers aren’t very good at mimicking how the human brain actually works. But they are good at solving complex problems that the human brain could never solve. And they do it by acting like computers, not by acting like people.” The computer science of AI quickly diverged from the psychological science of human intelligence, and most modern applications of AI have little in common with how people actually think or learn. Calling these complex mathematical models *artificial intelligence* is like calling Lifesaver candies *artificial fruit*. There may be surface similarities between the organic version and the artificial version, but they are not at all the same.

Technology does not replace the need for people. But it does change what people need to do. When technology is applied to an existing job, it tends to create two new types of jobs:

- Technical jobs focused on developing, maintaining, and using the technology. These jobs tend to be associated with operations, engineering, maintenance, analytics, and programming.
- Service jobs to engage or support customers who receive the products and experiences associated with the technology. This creates new jobs associated with marketing, sales, and customer support.

A good example of how digitalization changes the nature of work is the way online shopping technology is changing retail jobs. The events of 2020 massively accelerated online shopping. As one retail CIO put it, “we achieved our five-year online growth plan in five weeks.” But online shopping did not replace physical stores the way many people thought it would. It turns out that the presence of physical stores influences online purchases. One retail company found that opening a store led to a 30% increase in online purchases from the local community. People become more attached to brands that have physical store locations, certain items such as perishable groceries are better purchased in-person than online, and physical stores play a critical role in the supply chain supporting curbside pick-up and home delivery.

Online shopping is not eliminating the need for physical stores, but it is changing their function. The main purpose of stores used to be making it easy for customers to find and purchase products. Customers increasingly use the internet for this type of transactional shopping. The purpose of stores is becoming more about entertaining, educating, and engaging customers often to sell products online. For example, customers may go to a store to try on clothes and get advice from a fashion consultant or talk about hiking equipment with an expert in outdoor activities. In these examples, the job of store employees is to create a compelling social experience that attracts customers and influences both their in-store and online shopping behaviors.

The digitalization of shopping is changing the nature of retail jobs. In-store employees are now being asked to switch between fulfilling online orders and assisting in-store customers. This includes helping in-store customers make online purchases and answering questions about online services that support in-store products (e.g., maintenance programs). Store staff members must be skilled at demonstrating, inspiring, and instructing customers on the value that comes from using company products. This requires a higher level of expertise than what was historically required for many frontline retail jobs. The employee is not just helping customers find and purchase products in the store. They are building the company brand to influence future online product purchases. The shift to online shopping is also creating highly specialized technical jobs that integrate in-store

layouts, online shopping platforms, and mobile technology to create new kinds of customer experiences (e.g., using smartphones so customers can see what products will look like in their own home). Many of these jobs require skills that did not even exist five years ago.

As the retail example shows, the more digitalization transforms work, the more companies need people with specialized skills to operate technology or provide experiences that connect customers to the company. Digitalization is not eliminating the need for work; it is changing the type of work we do. Similar examples can be found in every industry ranging from mining²⁸ to health care.²⁹ Digitalization eliminates some jobs while creating new ones. The pace at which jobs are changing due to digitalization varies across countries, but this general trend is the same around the world.³⁰ Companies will always need employees, but what they will need employees to do will require new and increasingly specialized skills. This includes people who are highly skilled at integrating different areas of specialization.³¹ As has been said, the future will be like the past but different.

The Impacts of Demographics

Historically, demographic shifts in the labor force were mainly a result of immigration and population changes caused by wars, persecution, famine, or disease. For example, the migration of people from Asia and Europe to North America in the 19th and 20th centuries was driven by opportunities found in the growing US economy. Many immigrants were fleeing adverse if not horrific social conditions. But the reason they went to North America instead of somewhere else was primarily economic. It was a place they could find work and build a better life for their families. These shifts occurred in a relatively short amount of time and their impact was immediately visible in society. By contrast, the major demographic shifts currently reshaping labor markets are driven by changes in birth rates and life spans. These modern shifts are like plate tectonic shifts in the sense that they happen so slowly that we do not notice them until something occurs that makes us suddenly realize the world has changed. We feel the effects of plate tectonic shifts when we experience earthquakes and volcanoes. We feel the effects of modern demographic shifts when we experience labor market crises and social unrest.

The demographic shifts affecting the modern labor market are a result of more than 100 years of steady change. Starting in the 19th century, birth rates in many countries started to decline. This was due to changing economic conditions and social norms including an increase in women's education levels.³² At the same time, people's life spans began increasing as medical and living conditions improved. These trends were temporarily interrupted by World Wars I and II and the subsequent "baby boom" but

accelerated again starting in the 1960s. These trends are moderated by a country's culture and economy, but in almost every part of the world birth rates have been declining and life spans have been increasing. As a result, many countries are entering a phase in which more people are leaving the labor force than entering it.

The most visible impact of this demographic shift is the increasing age of the workforce. By 2024, roughly 25% of the US workforce will be over 55. In comparison, in 1994 only about 10% of US workers were over 55.³³ The US is growing much older, but not as fast as many other developed countries. Countries aging more quickly than the US include Japan, South Korea, Italy, Germany, and Russia. If current trends continue, China's workforce will be older than the US by 2040. Regardless of who is aging faster, almost every country is seeing a trend toward having relatively fewer people under the age of 20 compared to the number over the age of 50. Historically, the number of people over 65 in most countries never exceeded 4%. Now it is over 15% in many countries and continuing to increase. The median age in developed countries in 1950 was 29. Now it is over 40.³⁴ In 2018, for the first time in history, the number of people on the planet over the age of 65 was larger than the number of children under the age of 5.³⁵

The second visible impact of this shift is relatively fewer people in the labor market. Economic growth created by digitalization increases demand for employees to fill new positions even while population growth declines. For example, the US job market is projected to grow by 11.9 million jobs between now and 2030.³⁶ Over the same period 42.1 million people in the US will reach the traditional retirement age of 65, and 43.5 million will reach the age of 25, which is roughly about when people finish school and start working full-time. In sum, the US society will add 11.9 million jobs but gain only 1.4 million people (based on subtracting 42.1 million labor market exits from 43.5 million labor market entrants).^{iv} Historically, companies could count on a growing supply of youthful labor entering the job market to fill new job roles. This is no longer the case. Companies are now hiring from a smaller labor pool. The size of this labor pool will go up and down based on recessions, but the overall trend is a mathematical certainty barring some massive change in global economics. As more people age out of the labor market relative to those entering it, companies will be looking for talent in a smaller pool of labor compared to the growing size of the job market.

^{iv}These equations are extremely simplistic and do not account for the range of variables that affect labor markets, particularly labor market participation rates because not everyone works. The basic point is countries are adding fewer people to their society relative to the number of jobs being created in their economy.

Many changes caused by these demographic shifts are positive. For example, smaller populations tend to reduce environmental impact on the planet. However, cities may struggle to maintain their infrastructure in the face of shrinking populations and declining tax bases.³⁷ Regardless of whether the changes are viewed as opportunities or threats, they will affect the nature of work and organizations in three ways: increasing skill shortages, growing workforce diversity, and reshaping career paths.

Talent Tectonic Faultline 4: Increasing Skill Shortages

The long-term impact of a shrinking workforce is a shortage of people available to work. But the more noticeable near-term impact is a shortage of people with the specific skills companies need. This is a result of the collision between the talent tectonic forces of digitalization and demographics. Digitalization creates demand for people with increasingly specialized skills. Demographic shifts reduce the relative number of people in the workforce with those skills. It is important to note that most countries do not have a people shortage so much as a “people with the skills we need” shortage. Digitalization also increases demand to help people learn new skills. Many skills that companies will need in the future have yet to be created, and some of the fastest-growing occupations barely existed 10 years ago (e.g., solar photovoltaic installers).³⁸

Digitalization creates greater demand for “hard” technical skills and “soft” interpersonal and social skills. Many interpersonal and social skills can be effectively acquired through experience rather than formal education. But the most business-limiting skills shortages are likely to involve technical skills. As a hiring manager once told me, “People skills are great, but I need someone who can fix this machine.” Our ability to acquire technical skills is enabled and constrained by our current knowledge. Learning cognitively demanding skills, such as writing, math, or computer programming, physically changes the neurological pathways in our brains.³⁹ This may make it easier for us to learn other advanced technical skills. For example, consider the difference between teaching someone to read English who already knows how to read in another language, compared to teaching a person who has never learned to read at all. These hard skills can be acquired while working, but they require giving people large amounts of dedicated time and resources to learn them.

The degree to which societies support people’s ongoing education will have a growing impact on the ability of companies in those societies to find the talent needed for skilled roles.⁴⁰ This is not just about training people for existing jobs. It is about equipping people with the knowledge needed to learn new skills to perform future jobs that do not yet exist. This includes making sure employees have access to educational resources necessary to keep pace with the changing nature of their jobs and if necessary are able to

learn to perform entirely new types of work. In many cases, this will require providing development resources beyond what companies can reasonably support internally. Some good examples are the private-public partnership projects underway to reskill workers in the automotive industry to transition to build electric cars instead of combustion engine automobiles.⁴¹

Another factor that will affect the ability of companies to find skilled workers is economic incentives. This is particularly relevant for service positions that require specialized nontechnical skills, for example, health care roles such as home and assisted living aids or hospitality workers in guest service roles. Anyone who has worked in these jobs or who has experienced the difference between receiving good and bad service should appreciate the skills they require. These skills include organizational planning, problem solving, active listening, emotional empathy, and attention to detail. The more we automate the transactional aspects of service jobs, the more complex the interpersonal component becomes. Consider the move to mobile self-check in at hotels. In many hotels it is now possible to check in to your room entirely through phone apps without ever talking to a person at the front desk. The only time a guest talks to the front desk clerk is when something goes wrong or when they want advice. The front desk job is no longer about routinely checking people in; it is about solving problems, calming down frustrated guests, and offering ideas to improve the guest's visit. This requires a much higher level of set of interpersonal, advisory, and problem resolution skills.

From an economic perspective, higher skilled jobs should be higher paying jobs because fewer workers have the qualifications to perform them. Unfortunately, many countries have historically underpaid service workers for reasons that have nothing to do with the skills these jobs require. In the past, the monetary value of work was often based more on who did it than what they were doing. Consider this quote from the 1910 US census: "Certain occupations which, technically, are skilled occupations were classified as semiskilled because [they were largely performed by] women."⁴² This statement implies that if jobs are performed by women then they must be less skilled. Throughout history one can find examples in which societies downplayed the value of service jobs primarily performed by women and minorities as way to implicitly justify paying lower wages to the people in these jobs.

When given the choice, people are naturally attracted to occupations that they believe will provide them with good jobs that enable them to support their desired lifestyle, including supporting their family. In the past, many service jobs were not viewed as good jobs given their low wages, even if the jobs performed essential roles in our society.⁴³ There are signs this is starting to change due to the growing shortage of labor caused by the decreasing number of workers entering the labor market. The change is also

being driven by the demanding nature of these jobs caused by digitalization.⁴⁴ As these jobs become more complex, there is greater financial value in retaining employees who have the skills to perform them. The challenge facing companies that employ service workers is how to rethink financial models to handle what are likely to be much higher workforce costs. This starts with abandoning past mindsets that treated these workers as though they were unskilled and therefore easily replaceable.

Skill shortages can be viewed as a threat or an opportunity depending on one's perspective. Skill shortages are a threat if companies and local governments cannot effectively collaborate to help people acquire the skills needed in an increasingly digitalized world of work, or if companies are unable or unwilling to recognize the value of skilled employees by paying them appropriately and providing them with better work experiences. However, skill shortages are an opportunity to provide people with financially rewarding jobs that encourage continuous growth and self-development. These are the sorts of jobs that create happy and prosperous societies.⁴⁵

Talent Tectonic Faultline 5: Growing Workforce Diversity

A direct result of declining birth rates and aging workforces is increased age diversity in the workforce. Organizations with higher levels of age diversity tend to be more successful.⁴⁶ But to take advantage of age diversity, companies must address ageism and dispel stereotypes about the impact of age on work.⁴⁷ For example, based on empirical evidence, which one of these is true?

Relative to younger employees, older employees tend to be (choose one or more):

- Less motivated
- Less interested in training
- More resistant to change
- Less trusting
- Less productive
- Slower at learning new technology

All of these are false except “less interested in training.” Older employees tend to be skeptical about the value of training, which can make them less interested in participating in training programs. The others are false but common stereotypical ageist beliefs that have no basis in empirical fact.⁴⁸

This book will discuss many ways companies can engage people at all ages and stages of their careers. But one thing every company can do immediately is stop actively promoting ageist thinking by using stereotype-laden terms such as gen Z, millennial, gen X and baby boomer. One does not need a PhD in psychology to understand the dangers of labeling and

making sweeping generalizations about people based on their demographic characteristics. If you must talk about age, then use clearly descriptive terms such as “people over 40” or “people under 20.” Instead of calling out differences between generations, focus on things that unite us regardless of when we were born. Recognize that interests often associated with youth such as career development and improving the world remain important as we age, even if we express our interests differently.⁴⁹ When it comes to work, the year people were born is not what matters most. What matters is what people have done since they were born and what they strive to do with the years they have left.

Another result of declining birth rates is greater emphasis on attracting, engaging, and developing people from diverse backgrounds regardless of gender, race and ethnicity, or ability status. This is not just about equity and inclusion, although that should be reason enough. It is about business necessity. To fill jobs in a scarce labor market, companies must use all available and qualified talent whatever their demographic characteristics or disability status. Immigrant workers will also play a larger role in organizations than they have in the past.⁵⁰ Many countries already have programs to bring in employees from other countries to perform jobs at all skill levels. Companies in these countries cannot function without these “guest workers.”⁵¹ Reliance on foreign-born labor is likely to become far more common in many societies that historically discouraged immigration.

There is social and economic value in having a more diverse and inclusive world of work. Diverse workforces increase team creativity and create stronger connections between companies and increasingly diverse customer populations.⁵² Providing work to historically disenfranchised local communities or to immigrants who lack job opportunities in their home countries also helps address problems of global poverty. At the same, there are significant challenges to creating diverse workforces and building inclusive cultures. Despite years of effort and investment, companies continue to struggle to achieve demographic equity, diversity, and inclusion.⁵³ Subsequent chapters in this book look at the challenge of diversity and inclusion from a variety of angles, highlighting ways to make future diversity efforts more successful than those of the past.

Talent Tectonic Faultline 6: Complex Careers

Demographic changes to the labor market are changing how employees and companies think about careers. Companies are increasingly facing situations where they cannot find candidates with the skills they need who are willing to work at pay levels the company can afford. In these situations, companies must change their staffing approach. Instead of hiring people based on existing skills and qualifications, companies need to hire

people based on what they can learn to do as opposed to what they already know. In some cases, this may lead to employees making radical changes to their career trajectory by moving into entirely new industries or professions. Employees also have increasing ability to influence how their jobs are designed. This includes their job goals, where the job is located (on-site or remote), whether it involves part-time or contract work, and other features that enable employees to support their work and nonwork interests.⁵⁴ Hiring will be less about companies asking employees, “Can you do this job?” and more about employees and companies asking, “What can we do together?” As a recent MBA graduate put it, “I am not applying for jobs that I’m qualified for because I already know how to do them. I am applying for jobs that I am not qualified for because those are the ones where I will learn the most.”

An aging labor market will also encourage rethinking the concept of retirement. Age-based retirement was created in the late 1800s in part to encourage older workers to leave the workforce so it would create jobs for younger people. This was the first time that societies suggested that people not work after they reach a certain age.⁵⁵ Prior to about 1870, retirement pensions were primarily awarded based on the physical ability to work. Workers did not retire because they were old; they retired because they were no longer able to be productive. It was not until the 20th century that people started planning their careers based on the assumption that they would just stop working at a specific age, such as 65. Our current model of retirement implies that people past an arbitrary age should no longer be contributing members of the workforce. This is not good for companies or for people.

People want to change the nature of the work they do as they get older. But encouraging people to stop working entirely is unhealthy. People do not do well when they have nothing to do. My wife, who is a family medicine doctor, told me that when patients say they are about to retire it is often treated as a health risk. As she put it, “it is important to have a reason to get up in the morning.” This does not mean she wants patients to stay in their jobs. But she does encourage patients to rethink what it means to retire. The goal of retirement is not to stop working. The goal is to transition the time spent working and use it to do something new that they find joyful and fulfilling. It is unhealthy and unproductive to put employees “out to pasture” as though they were elderly farm animals. Most employees do not want to stop working completely. One study found that only about 25% of employees plan to stop working entirely when they reach 65.⁵⁶ This is good news. It makes no sense to discard highly experienced workers in an economy facing a growing shortage of specialized skills. Over the coming years we should expect to see fewer people retiring from work entirely. Instead, we will see people transition to new models of working that fit

their professional interests and financial needs as they move through their 60s, 70s, 80s, 90s, and even beyond. This is likely to include greater use of contract-based work where people choose to work when they want to instead of working full-time set schedules. One retail company I know had an employee still working for them at the age of 102 simply because they enjoyed their job and liked getting out of the house.

Embracing the move to more flexible job models and dynamic career paths requires getting away from the transactional work models of the 20th century in which companies set job requirements and employees tried to meet them. It requires moving toward collaborative models in which employees and companies work together to create jobs that align what employees want to do, what employees are able to do or learn, and what companies need to get done.

Applying These Concepts to the World You Live In

The world of work is being transformed by talent tectonic forces of digitalization and demographics. Digitalization is accelerating the pace of change, transforming the purpose of work, and creating a need for highly specialized skills. It is interacting with demographic forces to generate skill shortages, increase workforce diversity, and reshape the nature of careers. So, what can companies do about it? The answer is: a lot! Innovations in work technology combined with insights gained from psychology provide countless ways to rethink work and create employee experiences that attract, develop, and engage talent. This includes making work accessible, enjoyable, and meaningful for all people regardless of their current skill level and demographic characteristics. This chapter explained the major challenges companies face regarding the future of work. The rest of the book is about the solutions.

Exploring the following questions can help with thinking about the concepts from this chapter in the context of the company or companies you work with.

Digitalization

- How is technology being used in your company or industry to automate or augment work? What aspects of work do you expect to see technology transform in the near future? How will this change the skill profiles need to perform this work?
- What attitudes do employees in your company have about the future of work? Are they excited about opportunities to grow their

skills or concerned about potential job loss? What could you do to help employees manage future job and career changes?

- What is the core mission and purpose of your company? How is this reflected in the way jobs are defined, staffed, and managed?
- Look at the job postings from the past three years in your company. Do they include tasks or skills that did not exist 10 years ago? What skills will be critical for the success of the company over the next three years? Who has these skills or how will they be developed?

Demographics

- What is the age distribution of employees in your workforce? How many are close to retirement eligibility? How many would work longer if given the right options?
- What are the population trends in the communities that you primarily hire from? What is the ratio of new entrants into the labor markets that you hire from versus people exiting those markets?
- How do you ensure your company is creating an attractive and inclusive culture for diverse employees and candidates? How do you measure diversity and inclusion in your organization? Do you have a good representation of ethnicity and gender across the organization including at the leadership level?
- What are the hardest roles to fill in your company? What makes them difficult to fill? How could you change the job or qualification requirements to expand the number of eligible candidates? Could you use contractors or part-time roles to help staff these jobs?